

CHAPTER 6

LOWDOC PROGRAM

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This Chapter contains the Program Guide for LowDoc Loans. The Guide and all LowDoc Forms can be accessed at www.sba.gov/banking/enhance.html#sbalowdoc

PROGRAM GUIDE FOR CENTRALIZED LOWDOC

1. INTRODUCTION

- a. This Appendix contains the policies, procedures, and guidelines for the SBA's Low Documentation Loan Program (LowDoc). This Program is a streamlined method by which the Agency provides its guaranty to eligible lenders on loan applications from eligible small businesses that are for \$150,000 or less. The streamlining in this program involves:
 - (1) Reduced paperwork for both the lender and applicant once the lender decides to apply for a guaranty on their proposed loan;
 - (2) A quicker response by SBA on its decision to guaranty; and
 - (3) Alternative post approval responsibilities from standard practices for the lender.
- b. LowDoc is a financing vehicle which relies on the character and credit history of the borrower and the experience and judgment of the lender. The lender is expected to perform credit analysis on LowDoc loans in a manner consistent with prudent lending practices and to summarize that analysis in its request to SBA for a loan guaranty.
- c. This Program Guide discusses how a lender becomes a LowDoc lender, eligibility requirements, underwriting issues, and processing systems. Unless specifically addressed in this guide, all policies and procedures specified in the SBA's Standard Operating Procedure (SOP) 50 10 manual and Code of Federal Regulations (CFR) 13, Part 120 apply.

2. LENDER PARTICIPATION

a. Lender Participation

Participation in LowDoc Program is open to existing PLP and CLP lenders, plus other lenders who are experienced in making small business loans of \$150,000 or less, including those which are not currently SBA lenders. Non-PLP/non-CLP

lenders who want to become LowDoc lenders must have executed a Loan Guaranty Agreement (SBA Form 750) and be experienced in making small business loans of \$150,000 and less. In accordance with 13 CFR Part 120.410, a lender must have at least 20 qualifying loans outstanding that were initially approved in an amount of \$150,000 or less. Qualifying loans are those that are categorized as commercial, industrial, or commercial real estate loans as identified on Call Reports. Lenders will certify to this fact by signing the LowDoc Application Form.

b. Lender Training

Training of participant lenders is a role shared by field offices and Headquarters staff alike. Each field office is responsible for assuring that lenders doing business in its service area are knowledgeable of SBA's loan policies and procedures, as well as current Agency goals and objectives. LowDoc Processing Center (LDPC) staff are responsible for training LowDoc lenders in new policies and procedures relative to the LowDoc program. Headquarters Program Office staff are responsible for developing materials for use in lender training activities to assure that all LowDoc procedures and policies are consistently applied and administered.

c. Oversight and Review

SBA will continue to monitor the performance of the LowDoc program on an ongoing basis by tracking program activity and performance and by conducting periodic lender case file reviews to verify compliance with policy and procedural requirements and to assure that established credit standards are being maintained.

Program oversight is the responsibility of Headquarter's Office of Financial Assistance (OFA) which monitors program usage, payment performance and adherence to established policies and procedures. Program oversight includes quality assurance measures related to the processing and servicing of LowDoc loans in the centers. OFA is responsible for taking appropriate measures to assure that the program operates in a safe and sound manner.

OFA and the Office of Field Operations (OFO) coordinate on lender oversight.

OFA is 1) developing improved reporting systems in concert with the Office of Chief Information Officer (OCIO); 2) establishing clear, articulate performance standards for the program and for lenders; and 3) developing a lender case file review process and a LowDoc Lender Review Report document to assure adherence to LowDoc policy and underwriting standards.

OFO is primarily responsible for carrying out lender case file reviews. For lenders doing LowDoc business strictly within the boundaries of a field office, each field office is responsible for monitoring LowDoc activity and payment performance and for conducting case file reviews of that lender. Where lenders are doing

LowDoc business across district office lines, the field office serving the area where the lender is headquartered is the office responsible for that lender review, unless it is otherwise notified by OFO. Where OFO is made aware that a lender is doing business across district lines, OFO will consult with OFA to determine the most appropriate means of carrying out the review.

OFO develops schedules of lenders to be reviewed and establishes time frames for such reviews consistent with other demands on office resources. Strong coordination of the two oversight areas helps assure the soundness of the Program. Completed LowDoc Lender Review Reports are signed by the district director and forwarded to the Assistant Administrator for Field Operations and a copy to the Associate Administrator for Financial Assistance within two weeks of completion of the review.

Conducting lender visits for the purpose of reviewing LowDoc loan files also provides the opportunity to acquaint lenders with other programs and services offered by the Agency. At the same time, the reviewer should elicit comment from the lender concerning possible areas of improvement to LowDoc and other programs as well and pass those comments along to OFO for coordination with OFA. LowDoc comments are to be a part of the LowDoc Lender Review Report.

The LowDoc review forms in Attachment A are to be used for review purposes to document the lender's performance. A Summary Review Report with appropriate recommendations is to be completed and forwarded by the senior Financial Assistance officer to the LDPC serving the area where the lender is located. The Center Director will recommend any necessary action for approval of the Director, Office of Loan Programs.

As stipulated in 13 CFR, § 120.431: "A Lender must allow SBA's authorized representatives, during normal business hours, access to its files to review, inspect and copy all records and documents relating to SBA guaranteed loans." SBA reserves the right to terminate a lender's participation in LowDoc at any time for just cause.

3. LOWDOC LOAN TERMS

a. Amount

The maximum amount for a LowDoc loan to any one small business, plus its

affiliates¹, including the balance of any other outstanding SBA debt, except disaster assistance loans, is \$150,000. A business can have more than one outstanding LowDoc loan so long as its total outstanding SBA guaranteed debt (regardless of the guaranteed portion) does not exceed \$150,000.

b. Interest Rate

The interest rate on a LowDoc loan is negotiated between the lender and borrower and may be fixed or variable. However, under SBA regulations, the maximum rates are:

- (1) 2 1/4% over the Wall Street Journal Prime on loans with maturities less than 7 years;
- (2) 2 3/4% over the Wall Street Journal Prime on loans with maturities of 7 years or more;
- (3) For loans of \$25,000 and less, these rates may be increased by 2 percentage points; or
- (4) For loans of \$25,001 to \$50,000 these rates may be increased by 1 percentage point.

c. Maturity

The maturity for a LowDoc loan is determined by:

- (1) Ability to repay;
- (2) Use of loan proceeds; and
- (3) Useful life of the assets being financed.

Loans for working capital purposes may not exceed 7 years, except in cases where a longer maturity (up to not more than ten years) may be needed to assure repayment. The maximum maturity of loans used to finance fixed assets, including real estate, is limited to the economic life of those assets, not to exceed 25 years.

¹ Affiliates are generally defined as businesses that have common ownership, common management, or contractual relationships. For additional information, refer to section 121.103 of CFR 13 or section 2.b of SOP 50 10 3.

d. Repayment Terms

The lender should schedule repayment terms to coincide with the established actual cash flow of the business. Loans are generally amortized in equal periodic installments of principal **and** interest over the life of the loan. Principal **plus** interest, semiannual, or annual payments are discouraged, and lines of credit and balloon payments are prohibited. Short-term and single payment loans are allowed only with an identified and reliable source of repayment. Sources of income outside of the business being financed may be used to help substantiate repayment ability in the LowDoc program. These sources of income must be clearly identified by the lender when submitting the application to the LDPC. For an outside source of income to be relied upon to demonstrate repayment ability, it must be constant and consistent and sufficient to meet the needs of the individual(s) and repay the loan. Reliance upon the earning capacity of an individual(s) is subjective but is subject to the nature of potential employment and earnings and the ability of such income to meet personal needs and still be able to repay the loan.

4. ELIGIBILITY REQUIREMENT

The eligibility requirements which LowDoc loans must meet is summarized below. LowDoc eligibility is ultimately determined by the LDPC. Lenders are responsible for assuring that the applicant and the proposed use of loan proceeds are eligible. Lenders are to complete the Eligibility Checklist for LowDoc loans (see Appendix 6-A) and to use it as a basis for responding to the eligibility questions on the Application Form. Checklist should be retained in lenders' loan files and be available for review by SBA. If there are any questions or uncertainties regarding the eligibility of a particular applicant, the lender should contact the LDPC for determination before submitting the application.

a. LowDoc Eligibility Requirements

(1) Size Standards

To eliminate the need to deal with numerous and varied size standards for different industries, LowDoc has a common standard. An applicant (including all affiliates) must have average annual sales for the preceding three fiscal years of \$5,000,000 or less **and** employ 100 or fewer individuals averaged over the previous twelve calendar months from date of application.

The following exceptions to the above size standard must be met by applicants in these industries:

- (a) Farms (\$750,000);
- (b) Travel Agents (\$3,000,000);

- (c) Real Estate Agents (\$1,500,000);
- (d) Engineering, Architectural and Surveying Services (\$4,000,000);
- (e) Fishing, Hunting and Trapping (\$3,500,000); or
- (f) Dry-cleaning Plants (\$4,000,000).

b. Type of Business

Most types of small businesses are eligible. The following types of business, however, are generally **not** eligible:

- (1) Nonprofit, religious, or charitable organizations;
- (2) Businesses primarily engaged in lending or investment activities;
- (3) Businesses engaged in real estate investment and other speculative activities;
- (4) Pyramid sales distribution plans;
- (5) Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs;
- (6) Businesses deriving more than one-third of their revenue from legal gambling activities;
- (7) Businesses engaged in illegal activities;
- (8) Private clubs not open to the general public;
- (9) Consumer and marketing cooperatives;
- (10) Loan packagers earning 30 percent or more of their revenue from packaging SBA loans;
- (11) Businesses engaged in activities of prurient sexual nature; and
- (12) Businesses or its Associates that have previously defaulted on a Federally assisted loan.

c. Purpose of Loan Proceeds

LowDoc loans may be used for almost any legitimate business purpose. Examples include financing accounts receivable and inventory, purchasing machinery and equipment, purchasing and/or improving real estate, and purchasing or starting a business.

Loan proceeds may **not** be used for the following purposes:

- (1) Payments, distributions or loans to Associates of the applicant;
- (2) Pay delinquent withholding or sales taxes or any other funds held in trust or replenish funds used to pay such accounts;
- (3) Pay funds to any owner or replenish funds used for that purpose, except for **eligible** changes of ownership;
- (4) Refinance any debt which is already on reasonable terms or which does not provide at least a 20% cash flow improvement to the applicant;
- (5) Refinance or pay any creditor in a position to sustain a loss, causing a shift to SBA of all or part of a potential loss from an existing debt;
- (6) Use any more than 25% of loan proceeds to repay debt due the participating lender.

d. Refinancing Existing Debt Lender may refinance existing debt of the applicant **only** when the debt is not already financed or cannot be refinanced on reasonable terms elsewhere **and** the refinancing provides a substantial benefit to the small business. A substantial benefit is one which:

- (1) Provides at least a 20 percent decrease in the scheduled amortized payment from that of the existing debt; or
- (2) Improves debt coverage to an acceptable level. The portion of the refinanced loan that results in the improved cash flow, i.e., the 20 percent decrease, must be used in turn to finance the hiring of additional staff, purchasing of assets, an increase in receivables or for other growth related financing needs - not simply to provide increased funds for owner withdrawals.

Any debts to the participating lender that are being refinanced must always have been current (within 29 days) according to the original terms of the debt agreement (payment transcript should be retained in the borrower's files) and all collateral securing it should be pledged on the new loan.

e. Refinancing of SBA Debt

An existing SBA guaranty loan may be refinanced by a new lender when the local SBA office has determined (and documented) that the lender holding the existing SBA loan is unwilling to approve a request for additional funds or is unwilling (or unable because of the refusal of a secondary market investor) to adjust the current loan payment to enable another lender to make an additional loan within the available cash flow.

An existing SBA loan held by the lender may be refinanced to the same applicant **only if** the lender cannot modify the loan because it has been sold in the secondary market and the secondary market investor refuses to agree to the change in the repayment terms

f. Credit Not Available Elsewhere

The SBA provides business loan assistance only to an applicant for whom the desired credit is not otherwise available on reasonable terms from non-Federal sources. The lender must certify on the LowDoc application that, based on its knowledge of the terms and conditions generally available in its market, credit is not otherwise available on reasonable terms from non-federal sources. The lender must substantiate this certification in its file.

g. Personal Resources of Principals

An applicant must show that the desired funds are not available from the personal resources of any owner who owns 20 percent or more of the applicant business. For LowDoc loans, SBA requires that any such owner must inject any personal liquid assets which are in excess of two times the total financing package or \$100,000, whichever is greater.

For the purposes of this section, liquid assets include cash or cash equivalent, savings accounts, CDs, marketable securities, cash value of life insurance, or similar assets. Qualified retirement accounts, such as IRAs, Keogh, or 401k plans are **not** considered liquid assets.

SBA may still require additional injections beyond what is required under the personal resources provision to make the loan credit worthy when credit factors indicate a need for additional capitalization.

h. Change of Ownership

Loans for change of ownership are eligible provided the business benefits from the change. In most cases this benefit should be seen in promoting the sound development of the business or preserving its existence. Loan proceeds **may not** be used to purchase only part (i.e., less than 100 percent) of the ownership interest of any owner, partner, or shareholder, nor may they be used to enable a borrower to purchase part of a business in which he or she has no existing interest.

A loan may not be used to enable one partner/shareholder or group of same to purchase the entire interest(s) of another partner/shareholder or group of same to the exclusion of others. Loans for this purpose are made to the business to purchase of the entire interest of a partner(s)/shareholder(s).

i. Government and Child Support Obligations

The applicant, its principals and guarantors must be current on all government obligations, such as payroll and income taxes, existing SBA debt and student loans. If the lender is aware of any delinquencies of this nature, the lender may not submit the application under LowDoc procedures but may submit it under regular 7(a) guidelines. All owners of 50 percent or more of the applicant concern must also certify, by signing the Authorization, that they are not more than 60 days delinquent on child support obligations.

j. Franchises

Franchises are eligible provided the franchisee has the right to profit from efforts commensurate with ownership and bears the risk of loss. Franchises are not eligible where a franchisor retains power to control operations to such an extent as to be tantamount to an employment contract.

Lenders must perform a review of the franchise agreement in order to ascertain that the franchisor is not in a position to exert undue control over the franchisee

k. Eligible Passive Company (EPC)

An EPC² is eligible provided it uses loan proceeds to acquire or lease and/or improve or renovate real or personal property that it leases to an Operating Company (OC)³ for use by the OC. An EPC may be in any legal form of ownership structure. The following conditions apply to all legal forms:

- (1) The use of proceeds must be an eligible use as if the OC were obtaining the financing directly;
- (2) The EPC and the OC must be small under the appropriate size standards in 13 CFR part 121;
- (3) The lease between the EPC and the OC must be in writing and must be subordinated to SBA's mortgage, deed of trust, or security interest on the property. Also, the EPC (as landlord) must furnish an assignment of all rents paid under the lease as collateral for the loan;
- (4) The lease between the EPC of the OC, including options to renew exercisable solely by the OC, must have a remaining term approximate to the term of the loan at the time of loan closing;
- (5) The OC must be a co-borrower with the EPC or a guarantor on the loan;
- (6) Each individual who owns 20 percent or more of the EPC must guarantee the loan; and
- (7) Each individual who owns 20 percent or more the OC must guarantee the loan.

l. Other SBA Programs

LowDoc loans are **not** allowed under the following SBA programs: Export Working Capital Program, International Trade, CapLines, Defense Loan and Technical Assistance (DELTA), and Pollution Control.

5. CREDIT STANDARD

² An Eligible Passive Company is a small entity which does not engage in regular and continuous business activity, which leases real or personal property to an Operating Company for use in the Operating Company's business.

³ An Operating Company is an eligible small business actively involved in conducting business operations now or about to be located on real property owned by an Eligible Passive Company, or using or about to use in its business operations personal property owned by an Eligible Passive Company.

Lenders are to analyze and document LowDoc loans in a manner consistent with prudent lending practices. The strengths of the principal's character, credit and capacity, as determined by the lender, may be considered to offset a marginal credit factor such as sporadic historical earnings, marginal owner equity, or insufficient collateral. Applications that do not meet the lender's standards for character, credit and capacity should not be considered under LowDoc.

Instead of the traditional in-depth analysis of a 7(a) application, SBA reviews the information submitted by lenders on LowDoc applications, Attachment B, and, if applicable, the lender's credit analysis and the applicant's financial statements. However, as stated before, the lender is expected to perform the same level of analysis as it does for similar non-SBA loan requests and consistent with prudent lending practices. Thus, to the extent possible, the lender should summarize its justification for the guaranty request on the LowDoc applications and supporting documentation. Simple statements to the effect that specific credit factors are satisfactory are not sufficient.

In order to maintain the program's credit quality and streamlined application processes, complicated applications requiring a great amount of explanation or marginal applications which need an in-depth analysis should be submitted under regular 7(a) procedures.

a. Repayment

Since most LowDoc loans are long-term in nature, repayment considerations should take into account the cash flow of the business. Historic actual cash flow as provided by an analysis of the sources and uses of cash of the business is the best indicator of repayment ability and should be utilized for all existing businesses. If repayment cannot be assured from historic cash flow or from reasonable projections, such as for start-up businesses, the lender should document its knowledge and judgment of the principal's management ability, character, capacity and credit in determining whether future cash flow will be adequate to service the needs of the applicant.

The lender should comment on the LowDoc application or in its credit analysis memorandum on the extent to which the principal's character, credit and capacity compensate for the previous marginal cash flow of the business and strengthen an otherwise weak SBA-guaranteed loan request.

With respect to sources of repayment, the smaller the business the more important its principals and the strength of character of those principals become when analyzing a credit request. Given that most LowDoc applicants are relatively smaller businesses, the lender should carefully analyze the repayment ability of both the business and its principals. Analyzing the debt-to-income ratios of the business and its principals separately and jointly (combined) will determine a

more accurate overall repayment ability. Outside sources of income may be considered in establishing repayment ability.

b. Management

Management is the single most important issue in evaluating the potential success of a business. The lender must evaluate management's depth of knowledge and experience in the managerial and technical skills necessary to operate the business. Lenders assess and document the adequacy of management on the application. Lenders should consider the size and type of business and management's ability with respect to sales (growth), financial and operational matters. Applications for businesses managed by absentee owners are discouraged.

c. Capital

All applicants are generally expected to reflect an adequate net worth position. The capital position of a business is often seen as a measure of its financial strength, creditworthiness and ability to withstand financial adversity. It serves as a quick reference to identify credit risk and provides some insight into the likelihood of the owner's/owners' commitment and willingness to work through difficult situations.

As is the case under regular 7(a) guidelines, the exact level of equity necessary for a LowDoc application should be decided on a case-by-case basis. However, under LowDoc, as stated above, the principal's character, credit and capacity may offset a marginal equity position, provided other credit factors are satisfactory.

For an existing business, the lender may finance 100 percent of a particular asset provided the business has an adequate net worth and demonstrates repayment ability. Applications to start or purchase a business are not eligible for 100 percent financing.

Applicants with very weak capital positions resulting from losses or with dramatically improved forecasts should not be submitted under LowDoc. They should receive complete financial analysis under the regular 7(a) process.

d. Collateral

Collateral is not a primary consideration under the LowDoc program. However, to reach adequate collateral coverage, the business must pledge all available assets. Generally, all assets financed with loan proceeds should secure the loan. If a portion of the loan remains under collateralized, consider other available assets of the business as additional collateral.

If business assets do not fully secure the loan, personally-owned assets of the principals should be pledged, generally non-real estate assets and investment

properties first and then the principals' primary residences. While lenders may, of course, require the primary residences of principals at any time, SBA requires such assets only when equity in the residence is at least 25 percent of the fair market value. Unwillingness on the part of the applicant to pledge available collateral is basis for decline solely for the lack of collateral. Apply prudent lending practices in assessing the realistic recovery value of collateral. A formal evaluation by an individual known by the lender to be competent will be acceptable for real estate collateral for LowDoc loans.

e. Personal Guarantees

The SBA requires the personal guaranty of any person owning 20 percent or more of the business. Consider requiring the guaranty of spouses where legal and appropriate. Lenders can require a third party guarantor if it strengthens an otherwise weak application.

f. New Business and Purchase of Existing Business

Applications to start or for a new business (any business less than two years old) and to achieve a change of ownership by purchase of an existing business or purchase of the entire interest of one or more of the current owners by the business are eligible under LowDoc. Lenders must thoroughly analyze and underwrite each request before considering it for an SBA guaranty. In all cases, the applicant must submit a comprehensive business plan to the lender. Lenders should analyze and evaluate the soundness and viability of business plans, along with financial projections.

Under LowDoc, the credit risks for these types of applications should be relatively easy to identify and understand as a general rule. The lender should submit more complicated start-up and buy-out applications under regular 7(a).

6. GUARANTY PERCENTAGE AND FEES

a. Percentage of SBA's Guaranty

The maximum SBA guaranty of LowDoc loans is 85 percent.

b. Guaranty Fee

The guaranty fee is 2% of the amount guaranteed. Lenders are permitted to retain 25 percent of this fee.

Note: Effective 10-1-02 through 9-30-04, the guarantee fee on loans of \$150,000 or less will be 1 percent of the guaranteed portion.

The ongoing servicing fee of 0.50 percent (50 basis points) on the outstanding balance of the SBA guaranteed portion of the loan will be reduced to 0.25 percent (25 basis points) for all loans approved on or after 10-1-02 through 9-30-04. This fee is payable by the participating lender and cannot be passed through to the borrower.

c. Application Fees

A lender **cannot** charge a LowDoc applicant the following fees: processing fees, origination fees, application fees, points, brokerage fees, bonus points, or any other such fees.

A reasonable packaging fee which is in line with those charged for similar services in the local geographic area may be charged. This fee must be disclosed on the Borrower's Application page, including the name and address of the packager.

The following closing costs are typically borne by the borrower: surveys, title reports, appraisals, filing and recording fees, lender's attorney fees, and other charges related to closing.

7. LOWDOC PROCESSING

a. Where Should A Lender Submit Its Request For Guaranty?

Lenders will deal with one of two LowDoc Processing Centers, depending on the location of the small business concern being financed. If the business is located in SBA Region I, II, III, IV, or V, the application will be submitted to the Hazard LDPC, 262 Black Gold Boulevard, Hazard, KY 41701, telephone 606/436-0801; fax 606/436-2600. If it is in SBA Region VI, VII, VIII, IX or X, the application will be submitted to the Sacramento LDPC, U.S. Federal Courthouse, 501 I Street, Suite 12-200, Sacramento, CA 95814; telephone 916/930-2410; fax 916/930-2180.

b. What Information Must The Lender Submit?

Only the new one-page LowDoc Application Form. Other documents should only be submitted upon request by SBA. However, it is very important that all of

the data required on the application form be submitted. This will minimize the need for time consuming follow up calls and will permit the centers to operate in the most efficient manner possible. Faxing the application form will work best. Once SBA completes its development of an electronic loan guaranty transmission system, this will become the preferred application process.

A lender **MUST VERIFY** the accuracy of the applicant's financial data against income tax data by submitting IRS Form 4506, Request for Copy or Transcript of Tax Form to the Internal Revenue Service (IRS). This verification is generally beneficial in evaluating both character and credit considerations. To prevent delays, it is a good idea for lenders to send the Form 4506, which the applicant must sign, to the IRS at the earliest point in time in the application process. The IRS generally responds within ten days. This policy does not apply to buy-outs of existing businesses or to start-up applications.

c. Submitting the Application

Lenders can either fax or mail the application package to the LDPC. Most applications will be faxed. Due to the limited space available to enter data on the LowDoc application form, it is critical that lenders ensure that applications are either printed legibly or typed to enable the faxed copies to be as clear as possible.

SBA Form 4-L, Application for LowDoc Loan, including complete instructions for the applicant and lender and other LowDoc related information, can be found at www.sba.gov/banking/enhance.html#sbalowdoc. See Appendix 6-B for a copy of the SBA LowDoc Application.

d. Approved Loans

If the application is approved, the LDPC will notify the lender by fax. Every attempt will be made to respond to a LowDoc guaranty request within 3 working days. It is the responsibility of the lender to complete all other closing documents.

All Loan Authorizations will be prepared from a standardized list of terms and conditions nationwide as modified by covenants required by individual states.

e. Declined Loans

If the loan application is declined, the LDPC will fax the lender a letter stating the reasons for denial, advising whether the decision may be reconsidered in the Center.

f. Reconsiderations

- (1) It is important that a LowDoc applicant who has been denied a LowDoc loan have some recourse to a subsequent review or reconsideration as well as to other Agency programs which may be used to benefit its operations. Some declined applications may be easily modified to significantly improve the likelihood of loan approval. Many will require analysis of a more complete financial proposal, such as that submitted under regular 7(a) procedures. Further, a declined LowDoc applicant may improve both its loan application as well as its internal operations through other customer services offered by field offices.

The LowDoc Processing Center will:

- (a) Assure that it has all necessary information for the application to be considered with an accurate picture of the credit request in hand,
 - (b) Notify the lender of the reasons for the decline and the field office contact for any further consideration, and
 - (c) Forward any declined LowDoc application file to the appropriate field office at the time the decline letter is issued to the lender with a copy of this letter to enable the field office to expeditiously consider appropriate services to offer the applicant and the lender.
- (2) Requests for reconsideration of applications declined by the LDPC must be submitted within 30 days of the date of decline. The reconsideration request must be in the form of a letter on lender letterhead and address how the reasons for decline have been overcome.
- (3) Loans that are within the following guidelines may receive reconsideration from the appropriate field office under LowDoc procedures:
 - (a) The loan was not declined for a history of credit problems.
 - (b) The loan was not declined for a positive response to any of the character questions in item IV of section D5 of the "Application for LowDoc Loan".
 - (c) The loan request does not involve any complex credit issues which require in depth analysis.
- (4) Reconsideration may be available under regular 7(a) procedures if the LowDoc application was declined for one of the above reasons. This

requires submission of a full 7(a) application to the field office that serves the area where the business is located. A letter addressing how the reasons for decline have been substantially overcome and requesting further consideration of a loan request must accompany the full 7(a) application.

Once declined under LowDoc, an application may not be submitted through any other expedited guaranty process, such as PLP or *SBAExpress*.

8. LOAN CLOSING POLICIES

The lender must close LowDoc loans in accordance with the terms and conditions specified in the Authorization as well as according to standard 7(a) procedures. The lender may use its own closing forms except for the following SBA forms:

- a. *Note, SBA Form 147;
- b. *Guaranty, SBA Form 148;
- c. *Compensation Agreement, SBA Form 159;
- d. *Settlement Sheet, SBA Form 1050;
- e. *Certification Regarding Debarment SBA Form 1624;
- f. *Certification page of Disclosure Statement and Statements Required by Law and Executive Order, SBA Form 1261;
- g. *SBA Form 601, Agreement of Compliance, for construction loans only;
- h. *SBA Form 793, Notice to New SBA Borrowers; and
- i. *SBA Form 722, EEO Poster;

(1) Documents Retained by the Lender

In addition to the original executed documents denoted by (*) above, the lender must retain all original closing documents in the borrower's file, and have them ready for review by SBA upon request, including but not limited to:

- (a) The original signed and dated LowDoc Application;
Copy of the Loan Authorization;
- (b) Signed and dated (as appropriate) credit source documents, including personal and business financial statements

(including affiliates), management resumes, credit reports, projections with assumptions, collateral lists, appraisals and similar information, and any information providing the basis for loan approval;

(c) Other relevant information, including environmental questionnaires or audits, lien search information, a transcript of account (participating lender debt refinancing), leases, offers to purchase, Standby Agreements, evidence of required licenses; and

(d) IRS verification information.

(2) Items Sent to SBA

(a) The documents to be sent to SBA after the closing of any LowDoc loan are the same as for any other 7(a). The documentation includes.

(i) SBA Form 159 (Compensation Agreement).

(b) Within 90 days from the date of the Authorization, the lender must forward the 2 percent guaranty fee (of the guaranteed portion of the loan) to the SBA Financial Operations, P. O. Box 205, Denver, CO 80201-0205.

9. LOAN SERVICING AND LIQUIDATION

a. Servicing

(1) The lender must service its LowDoc loans using generally accepted commercial banking standards of loan servicing employed by prudent lenders. The lender must not use lower standards for LowDoc loans compared with other loans in the lender's portfolio of similar size and type.

(2) The lender may take all servicing actions without approval from SBA (unilaterally) that it deems prudent and necessary on non-liquidation loans, retaining documentation regarding the actions in lender's loan files, except for the following non-routine actions.

They must not:

(a) Take any actions that would create a conflict of interest or confer any preference on the lender in collection or lien position with respect to SBA's position or the shared SBA/lender position on the

guaranteed loan.

- (b) Compromise with any obligor of the principal loan balance outstanding for less than the full amount due. Accrued interest can be adjusted by the lender, if justified, without prior SBA approval.

NOTE: Guarantors: If a loan is delinquent or liquidation is contemplated or underway, prior SBA approval is required to release a guarantor for less than the principal balance owed, even if actual demand has not yet been made on the guarantor.

- (c) Title property in the name of the Agency without SBA's prior written approval. The lender must not acquire title (in their name or the Agency's) to environmentally impaired property (property which exceeds the minimum action levels established by relevant regulatory agencies).
 - (d) Transfer of a loan another lender.
 - (e) Sell or pledge more than 90 percent of a loan.
- (3) As an exception to the rule, the lender must notify the Agency when Unilateral changes are made that will require the Agency to make changes to the SBA database (e.g., changes to interest rate, maturity, etc).
- (4) Loan purchases.
- (a) How much interest SBA will pay

The SBA will pay a maximum of 120 days of accrued interest.
 - (b) When SBA will purchase its guaranty?

Generally, except for bankruptcy situations, SBA will not honor its guaranty on a LowDoc loan until the lender has:
 - (i) Liquidated all business chattels; and
 - (ii) Indicated in writing how it will pursue real property assets or other sources of recovery, including personal guarantors.
 - (c) Exceptions to SBA's policy on when to purchase.

The SBA may approve exceptions to this policy on a case-by-case basis if the lender submits to SBA:

- (i) An adequate explanation for any delay; and
- (ii) A satisfactory recovery plan showing how and when the lender will liquidate all remaining assets.

NOTE: This exception/deviation to this policy must be approved by the DD or designee at the field office level.

(d) Procedures for purchase.

- (i) The SBA will make payment on its guaranty only after SBA has reviewed and approved all documentation supporting the making, closing, servicing, and liquidation of the loan.
- (ii) For loans sold in the secondary market, SBA strongly urges the lender to purchase from the holder and SBA will purchase from the lender as indicated above. However, SBA may immediately purchase from the secondary market holder if necessary.

(5) Submission of a LowDoc liquidation plan.

When the lender must submit liquidation plan.

- (a) For loans with a principal balance over \$50,000 at the time of default, the non-PLP lender must submit its liquidation plan before starting liquidation action. For loans with a principal balance of \$50,000 or less, the non-PLP lender is not required to submit a plan before starting liquidation action. However, it must prepare a liquidation plan and submit the plan to SBA at the time of guaranty purchase. If SBA desires changes to the plan, it has 10 business days to notify the lender after receipt of the plan.
- (b) When SBA purchases the guaranteed portion of the loan from the secondary market holder before liquidation, the lender still must submit to SBA the information described below, after it has completed liquidation action on the account.

b. Liquidation

(1) Who liquidates a LowDoc loan?

The lender does the liquidation on all LowDoc loans unless otherwise advised in writing by SBA.

- (2) What requirements must the lender follow?
- (a) All liquidations must be done prudently and in a commercially reasonable manner; and
 - (b) The liquidation must be consistent with SBA's regulations and the guaranty agreement.

- (3) When does SBA require a LowDoc lender to submit a liquidation plan?

A liquidation plan, using the standardized liquidation plan format (see Appendix 15 in SOP 50 51), is required to be submitted by a LowDoc lender to SBA on LowDoc loans:

- (a) Prior to starting liquidation action for loans with a principal balance more than \$50,000 at the time of default; or

NOTE: SBA has 10 business days to notify lender of any changes to the plan.

- (b) When the LowDoc lender requests SBA to purchase the guaranty for loans with a principal balance of \$50,000 or less at the time of default.

- (4) Is the lender required to submit a report on LowDoc loans?

Yes. The lender must provide a **written** status report on **every** LowDoc liquidation every 90 days.

- (5) How are expenses handled?

- (a) The SBA shares in reasonable and necessary costs incurred by the participant on a pro-rata basis up to its (SBA's) share of total recoveries; and
- (b) SBA may agree to pay more (on a case by case basis) in bankruptcy situations upon a written request from the lender.

- (6) How are costs in excess of the above handled?

The lender needs to absorb any excess costs.

- (7) When does SBA honor its guaranty on a Low Doc loan?

The SBA will honor the guaranty after the lender has liquidated all

personal property (business chattels) and lender indicates how it will pursue:

- (a) Real estate; and
- (b) Guarantors.

(8) Are there exceptions to this policy?

Yes. The SBA may purchase the guaranty prior to lender liquidating personal property when:

- (a) There is a bankruptcy situation; and,
- (b) The lender provides an explanation for any delay and has a satisfactory recovery plan showing how and when the remaining assets will be liquidated.

(9) How are guaranty purchases handled when the loan is sold on the secondary market?

The lender is strongly encouraged to purchase loans sold on the secondary market. The SBA will then purchase from the lender as indicated above, or from the secondary market holder if lender does not purchase.

(10) Can SBA purchase directly from the secondary market?

Yes. The SBA may immediately purchase from the secondary holder if necessary.

(11) Is there a limit on the amount of interest SBA will pay on a LowDoc loan?

Yes. The SBA will pay up to 120 days of accrued interest on LowDoc loans.

(12) What information is needed at the time of the guaranty purchase?

- (a) The liquidation plan (if not already provided);
- (b) A complete accounting showing all receipts and disbursements during the liquidation process;
- (c) Identification of all collateral at loan origination with an explanation of the disposition of each item along with proceeds involved;

- (d) The commercial reasonableness must always be addressed;
- (e) Names of any contractors involved and their compensation which could include appraisers, auctioneers, attorneys, etc;
- (f) All other sources of recovery pursued by the lender along with the proceeds received, or the reason for not pursuing; and
- (g) Identification of any remaining sources of potential recovery along with a plan of action.

- (13) Is the lender required to submit the above information when SBA has purchased directly from the secondary market?

Yes. The lender must submit the above mentioned information after it has completed the liquidation action on the account.

- (14) Are SBA liquidation loan officers required to make field visits on Low Doc loans?

No. The SBA liquidation officers are not expected to make field visits on LowDoc loans, but are not restricted from doing so.

- (15) Who is responsible for liquidation after the guaranty has been purchased?

The lender continues to be responsible for all liquidation actions even after the guaranty has been purchased.

- (16) When must the lender provide a "wrap up report?"

The lender must provide SBA with a wrap up report documenting the lender's actions and results at the following times:

- (a) When the lender determines that the loan will not be fully repaid after all worthwhile collateral has been liquidated; and
- (b) No further recoveries are anticipated within a reasonable period of time, (see Appendix 18, "Final Wrap Up Report" checklist in SOP 50 51).

If SBA purchase is requested, the necessary documentation for SBA to complete its purchase review of the loan must be provided (see Appendix 17, "Checklist for Purchase Documents" in SOP 50 51).

APPENDIX 6-A

***SBALOWDOC* ELIGIBILITY CHECKLIST**

LOWDOC ELIGIBILITY CHECKLIST

Applicant Name: _____ **Date** _____

This form guides the lender in determining an applicant's eligibility. Do not submit it with the application. Retain it in the applicant's file. Any item marked "No" indicates the loan is probably not eligible. Contact your LowDoc Processing Center (LDPC) if eligibility is questionable. Please refer to the attached Guidance, the LowDoc Program Guide, and SOP 50-10 for more information on eligibility requirements.

The products and/or services of the applicant business are available to the general public. ☐ Yes ☐ No

The business or any of its Associates have not been involved in a federal loan or federally assisted financing that defaulted and caused a loss to the Federal government. ☐ Yes ☐ No

Lender has reviewed the Franchise documents and Franchisor does not exercise control to the extent that it restricts Franchisee's right to operate its business independently. ☐ Yes ☐ No

Terms of the Loan

The total gross amount of SBA loans, except disaster loans, to this applicant and its affiliates, including this request, does not exceed \$150,000. ☐ Yes ☐ No

Eligible Passive Company (EPC) ☐ Check box if applicable. *If box is checked, provide the following information:*

Name of Operating Company (OC) _____

Nature of OC's Business _____

Legal Form of OC Entity _____

- EPC will use loan proceeds to acquire or lease and/or improve or renovate real or personal property (including eligible refinancing) that it leases 100% to an OC. ☐ Yes ☐ No
- OC is eligible and proposed use of proceeds would be eligible if OC were obtaining the financing directly. ☐ Yes ☐ No
- EPC (except eligible trusts) and OC are each small under SBA size standards. ☐ Yes ☐ No
- The total amount of all loans, except disaster loans, to the EPC, the OC, and the affiliates, if any, of both does not exceed \$150,000. ☐ Yes ☐ No
- Neither the EPC nor the OC is a trust or SBA requirements regarding trusts are met. ☐ Yes ☐ No
- There is only one OC or multiple OCs have identical ownership, related products and/or services. ☐ Yes ☐ No
- OC will be guarantor or co-borrower. Each 20% or more owner of EPC and OC will guaranty loan. ☐ Yes ☐ No

Use of Proceeds

Funding or Refinancing a Change of Ownership:

- The change will promote sound development or preserve the existence of the business. ☐ Yes ☐ No
- Is the change 100% of ownership, a repurchase of 100% of the interest of one or more owners by the business, or a purchase of 100% of the interest of one or more owners by another current owner? ☐ Yes ☐ No
- The transaction is arms-length and is supported by an independent third party valuation. ☐ Yes ☐ No
- The Buy/Sell Agreement has been reviewed and terms are satisfactory. ☐ Yes ☐ No

Debt Refinancing ☐ Check box if applicable:

- The cash flow needed to repay the portion of the loan for refinancing debt is at least 20% less than is currently needed to service this debt. ☐ Yes ☐ No
- Loan proceeds to refinance debt owed to the participating lender be 25% or less of the

...continue on reverse

- total LowDoc loan.
- All debt being refinanced is business debt or personal debt on behalf of the business. ☐ Yes ☐ No
 - The loan will not refund debt owed to an SBIC. ☐ Yes ☐ No
 - Proceeds will **not** pay a creditor in a position to sustain a loss causing a shift to SBA of part or all of that potential loss. ☐ Yes ☐ No
 - The participating lender's loan has never been more than 29 days past due. ☐ Yes ☐ No
 - The loan will not provide or refinance funds for payments, distributions, or loans to Associates of applicant except payment of ordinary compensation for services rendered. ☐ Yes ☐ No

The loan will not provide floor plan or other revolving line of credit. ☐ Yes ☐ No

The loan will finance a purpose which will benefit the small business. ☐ Yes ☐ No

Conflict of Interest

Lender or any Associate of Lender has not accepted funding from a source which restricts, prioritizes, or conditions the types of small businesses that Lender may assist under an SBA program or imposes any conditions or requirements upon recipients of SBA assistance inconsistent with SBA's loan programs or regulations. ☐ Yes ☐ No

Applicant, an Associate of Applicant, or close relative of Associate of Applicant is not required to invest in Lender. ☐ Yes ☐ No

Proceeds will not be used to acquire space in project for which Lender has issued a real estate forward commitment. ☐ Yes ☐ No

Lender has not previously submitted this application to SBA under any of its loan programs, including PLP, CLP, Fa\$Trak, and regular 7(a). ☐ Yes ☐ No

Guidance for Completion of LOWDOC ELIGIBILITY CHECKLIST

Refer to the LowDoc Program Guide and SOP 5010 for further guidance on eligibility. This is particularly recommended when a franchise, EPC, debt refinancing, or conflict of interest or potential for such is involved.

Where additional information is needed to support the response to any of the items in the checklist, attach separate sheets of paper. If a section such as EPC or Debt Refinancing does not apply, skip that section.

SBA may not participate in loans to entities which limit access for reasons other than health or safety.

Size

If an applicant has affiliates, the group of affiliates must be small, based on the primary industry of the group, under LowDoc size standards and the applicant must also be eligible on the basis of its primary industry.

Franchises

Franchise, license, and dealership agreements must be reviewed to determine whether the business is independent or the franchisor, licensor, etc. exercises control to the extent that the right to operate the business independently and enjoy profits or bear the risks of loss commensurate with ownership are restricted. A “No” response on the franchise item does not render the loan ineligible, but processing time may be extended when SBA has to review franchise documents to determine eligibility.

Terms of the Loan

The applicant and its affiliates, if any, may have one or more loans under LowDoc as long the total gross amount of the outstanding loan(s) and the requested loan(s) does not exceed \$150,000. Except for disaster loans which are not included, the loan program under which other loans may have been or may be extended does not matter.

Eligible Passive Concerns

Refer to SOP 50-10 for information on loans to Eligible Passive Concerns.

Use of Proceeds

Refinancing of existing debt must provide a substantial benefit to and meet a need of the small business applicant. Improving the lien position of the lender is not an acceptable reason. SBA does not want to refinance existing debt that is on reasonable terms or debts where the lender is in a position to sustain a loss that would be transferred to SBA. No more than 25% of a LowDoc loan may refinance debt owed to the lender participating in the loan. How much of a loan can be used to refinance debts of other lenders is not restricted. All debts being refinanced must be debts of the business or personal debt incurred on behalf of the business for which the applicant can provide documentation. Existing debt on reasonable terms is not eligible for refinancing. Reasonable terms are to be considered on the basis of whether the business can reasonably service all debt, including the loan request under consideration per the lender’s proposed structuring.

SBA does not participate in loans for an individual to purchase an interest in a business in which the individual does not already have an interest. Where a loan is for the funding or refinancing of a change of ownership, an independent third party valuation to evidence whether the purchase price is reasonable is necessary. This also establishes that the transaction is arms-length if close relatives are involved. SBA has no objection if the seller is giving a close relative a beneficial price. Our concern is when the price exceeds the value, especially when close relatives are involved.

Financial assistance provided by SBA must be for business purposes. It is not to benefit individuals, either directly or indirectly, other than through the normal course of conducting business.

Floor plans and other lines of credit are not eligible under LowDoc because of the complexity of the loan analysis and the processing time required.

SBA financial assistance must be for the benefit of the applicant business. A business may not apply for financial assistance for an affiliate or an Associate or any other party.

Change of Ownership

A loan may not be made to a partner(s) or shareholder(s) to purchase the interest of another partner(s) or shareholder(s). The loan must be to the business (partnership or corporation) to acquire the entire interest of a partner(s) or shareholder(s).

Conflict of Interest

SBA must consider conflicts of interest or any appearance of one very carefully. SOP 5010 specifies who decides whether a conflict of interest or the appearance of one renders an application ineligible.

SBA will not participate in a loan which is the result of a real estate forward commitment by the lender.

It is not appropriate for an application to be submitted under more than one of SBA's loan programs at the same time. In addition, if it has been submitted under another SBA loan program, the lender must inform the LDPC of the type of SBA program under which it was submitted and the SBA office to which it was submitted.

APPENDIX 6-B

APPLICATION FOR LOWDOC LOAN

**U.S. SMALL BUSINESS ADMINISTRATION
APPLICATION FOR SBALOWDOC LOAN**

OMB Approval No. 3245-0016

Expiration Date: 11/30/2004

A. APPLICANT Please Print Legibly or Type (**ALL BLANKS MUST BE COMPLETED**, Use "N/A," If Blank is Not Applicable)

Business Name _____ Trade Name (if different) _____ Type: Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> LLC <input type="checkbox"/> Other <input type="checkbox"/> (Specify) _____ Address (Physical Location) _____ City _____ State _____ County _____ Zip _____ Mailing Address (if different from above) _____ City _____ State _____ County _____ Zip _____ Phone _____ IRS Tax ID # _____ Business Bank _____ Checking Balance \$ _____	Nature of Business _____ Date Business Established _____ Date Current Ownership Established _____ Number of employees _____ Number of affiliate(s) employees _____ Total number of employees after Loan _____ Exporter? Yes <input type="checkbox"/> No <input type="checkbox"/> Pre-Qual? Yes <input type="checkbox"/> No <input type="checkbox"/> Franchise? Yes <input type="checkbox"/> No <input type="checkbox"/> Name _____
--	---

B. LOAN REQUEST

AMOUNT \$ _____ Maturity: _____ Purpose: _____ Have you employed anyone to prepare this application? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, how much was paid? \$ _____ How much do you owe? \$ _____ Name of Packager _____ Packager's Tax ID No. or Social Security No. _____

C. INDEBTEDNESS: Furnish information on **ALL BUSINESS** debts. (Attach schedule if needed.) Indicate by an (*) items to be paid by loan proceeds.

To Whom Payable	Purpose	Orig. Date	Cur. Bal.	Int. Rate	Maturity Date	Pmt. Amt.	Pmt Frequency	Collateral	Status

D. PRINCIPALS: Submit a separate Section "D" for each principal of the business (including anyone who was a principal within the last six months).

D1	Full Name _____ Phone _____ Social Security Number _____ Title _____ Address _____ City _____ State _____ Zip _____ Date of Birth _____ Place of Birth (City, ST or Foreign Country) _____ U.S. Citizen? Yes <input type="checkbox"/> No <input type="checkbox"/> If No, Alien reg. # _____
D2	Percentage Owned _____% Veteran *: Non-Veteran <input type="checkbox"/> , Vietnam Era Veteran <input type="checkbox"/> , Other Veteran <input type="checkbox"/> Race*: Amer. Indian/Alaska Native <input type="checkbox"/> Black/Afr.-Amer. <input type="checkbox"/> Asian <input type="checkbox"/> Native Hawaiian/Pacific Islander <input type="checkbox"/> White <input type="checkbox"/> Gender *: Female <input type="checkbox"/> Male <input type="checkbox"/> Ethnicity* Hisp/Latino <input type="checkbox"/> Not Hisp/Latino <input type="checkbox"/>

***This data is collected for statistical purposes only. It has no bearing on the credit decision. Disclosure is voluntary. One or more boxes for race may be selected.**

D3 PERSONAL FINANCIAL STATEMENT: Complete for all principals with 20% or more ownership. (currently and within the last 6 months).

Liquid Assets \$ _____ Ownership in Business \$ _____ Real Estate \$ _____ Assets Other \$ _____ Total Assets \$ _____ Liabilities Real Estate \$ _____ Liabilities Other \$ _____ Total Liabilities \$ _____ Net Worth (less value of business) \$ _____ Annual Sal. from Bus.\$ _____ Other Source of Repayment \$ _____ Source _____ Residence: Own <input type="checkbox"/> Rent <input type="checkbox"/> Other <input type="checkbox"/> Mthly Housing \$ _____

D4 PAST OR PREVIOUS SBA OR OTHER GOVERNMENT FINANCING: All owners, principals, partners, and affiliates must report these debts.

Borrower Name	Name of Agency	Loan No.	Date	Amount	Balance	Status

D5 ELIGIBILITY AND DISCLOSURES: (THESE QUESTIONS MUST BE COMPLETED. Mark "Yes" box or "No" box as appropriate.):

- I. Are you or your business involved in any pending lawsuits? Yes ☐ No ☐ If Yes, provide the details as Exhibit A.
- II. Do you or your spouse or any member of your household, or anyone who owns, manages, or directs your business or their spouses or members of their households work for the Small Business Administration, Small Business Advisory Council, SCORE or ACE, any Federal Agency, or the participating lender? Yes ☐ No ☐
If Yes, please provide the name and address of the person and the office where employed. Label this Exhibit B.
- III. Affiliates: Do you or the applicant business have any interest in any other business as owner, principal, partner or manager? Yes ☐ No ☐ If Yes, provide details to Lender. (See Applicant Instructions.)
- IV. Are you: (a) presently under indictment, on parole or probation, Yes ☐ No ☐ or (b) have ever been charged with or arrested for any criminal offense other than a minor motor vehicle violation (including offenses which have been dismissed, discharged, or knoll prosequi) Yes ☐ No ☐ or (c) convicted, placed on pretrial diversion, or placed on any form of probation including adjudication withheld pending probation for any criminal offense other than a minor vehicle violation? Yes ☐ No ☐ **Cleared for Processing: Date _____ By _____ Fingerprints Waive: Date _____ By _____**
- V. I have received and read "STATEMENT REQUIRED BY LAW AND EXECUTIVE ORDER".

If you knowingly make a false statement or overvalue a security to obtain a guaranteed loan from SBA you can be fined up to \$10,000 and/or imprisoned for not more than five years under 18 U.S.C.1001; if submitted to a Federally insured institution, under 18 USC 1014 by Imprisonment of not more than twenty years and/or a fine of not more than \$1,000,000. I authorize the SBA's Office of Inspector General to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

VI. Signature _____ Date _____

E. SIGNATURE

I authorize SBA/Lender to make inquiries as necessary to verify the accuracy of the statements made and to determine my creditworthiness. I agree that if SBA approves this loan application I will not, for at least two years, hire as an employee or consultant anyone that was employed by the SBA during the one year period prior to the disbursement of the loan. And, I hereby certify that: (1) as consideration for any Management, Technical, and Business Development Assistance that may be provided, I waive all claims against SBA and its consultants, (2) all information contained in this document and any attachments is true and correct to the best of my knowledge.

Print Name _____	Date _____
Signature _____	Title _____
If Corporation, Attested By: _____ Signature of Corporate Secretary	

LENDER'S APPLICATION FOR GUARANTEE

F. LENDER

Please Print Legibly or Type (**ALL BLANKS MUST BE COMPLETED, Use "N/A," If Blank is Not Applicable**)

Name of Lender _____ Business Name _____ Applicant NAICS Code _____
 Lender's Address _____ City _____ State _____ Zip _____
 Phone _____ Fax _____ 750 Agreement Date _____ Eligible Passive Concern **Yes** ☐ **No** ☐

G. LOAN TERMS:

The following section should be completed exactly as shown in the LowDoc Program Guide.

SBA Guarantee _____ % Loan Amount _____ No. of Mos. to Maturity _____ Payments: P&I ☐ or P+I ☐ \$ _____ No. of Mos. Interest Only _____
 Initial Interest Rate: ☐ Fixed _____ % ☐ Variable _____ % Initial spread over WSJ Prime _____ % Adjustment Period: Mthly ☐ Qtrly ☐ Other ☐
 Life Insurance required? **Yes** ☐ **No** ☐ On Whom? _____ How much \$ _____ Stand-by Agreements? **Yes** ☐ **No** ☐ Amount \$ _____
 If Start-Up or Purchasing of Existing Business, Amount of Applicant Injection**: Cash \$ _____ Assets \$ _____ Stand-by Debt \$ _____ Other \$ _____

***Equity in home is not considered injection.** Provide a breakdown in Lender's Comments if the injection is in the form of assets other than cash.

Use of Proceeds:		Collateral:		Market	Existing Lien(s) *		Collateral
Amount	Purpose	Type	Description	Value	Lien holder	Balance	Value
	Acquire/Renovate Real Property						
	Acquire Fixed Assets, Non-RE						
	Impact Current Assets/Liabilities						
	Refinance SBA Debt						
	Refinance Non-SBA Debt						
	Purchase Existing Business						
	Other: _____						
	Total (Must equal Loan Amount)						

* If use of proceeds if for debt repayment, Lender must retain copies of refinanced notes. If for participant bank, debt refinancing may exceed 25% of total loan amount.

H. FINANCIAL STATEMENTS:

(Balance Sheet and Current Income Statement must be of the same period)

BALANCE SHEET				INCOME STATEMENT			
<input type="checkbox"/> Pro Forma	<input type="checkbox"/> Interim	<input type="checkbox"/> Year End	(As of _____)	No. of Interim Mos. _____	Prior FY	Current	Projected
ASSETS		LIABILITIES		Date			
Cash Equivalent	_____	Notes Payable	_____	a) Net Sales/Revenue	_____	_____	_____
Net Trade Rec.	_____	Trade Payable	_____	b) Cost of Sales	_____	_____	_____
Inventory	_____	Current LTD	_____	c) Gross Profit	_____	_____	_____
Other Curr. Assets	_____	Other Curr. Liab.	_____	d) Owner Comp/Drawings	_____	_____	_____
Total Curr. Assets	_____	Total Curr. Liab.	_____	e) Rent (if applicable)	_____	_____	_____
Net Fixed Assets	_____	Long Term Debt	_____	f) Depreciation/Amortization	_____	_____	_____
Other Assets	_____	Other Liabilities	_____	g) Longterm Debt Int. Exp.	_____	_____	_____
Total Assets	_____	Total Liabilities	_____	h) General & Other Exp.	_____	_____	_____
				i) Net Income after "d" above	_____	_____	_____
				A) Cash Flow (f+g+i)	_____	_____	_____
				B) Total TermDebt P & I	_____	_____	_____
				Debt Coverage Ratio (A / B)	_____	_____	_____

I. LENDERS COMMENTS:

(Management's character, financial strength of the business, and repayment ability, including forecast. Use separate sheet if necessary)

Business Start-Ups and Purchases: Lender **MUST** comment on management qualifications, location, competitive factors and feasibility of business plan.

J. ELIGIBILITY EVALUATION:

Refer to program guide. If you have any eligibility questions, please contact to LowDoc Processing Center before submitting an application.

Eligibility Evaluation: To the best of your ability have you determined that the Borrower meets SBA eligibility requirements as outlined in the "LowDoc Program Guide" and the "Eligibility Checklist"? **Yes** ☐ **No** ☐ (Please note, by law, SBA cannot guarantee ineligible loans.)

I submit this application to SBA for approval subject to the terms and conditions outlined above. Without the participation of SBA to the extent applied for we would not be willing to make this loan, and in our opinion the financial assistance applied for is not otherwise available on reasonable terms. I certify that none of the Lender's employees, officers, directors, or substantial stockholders (more than 10%) have financial interest in the applicant. I also certify that our institution has at least 20 qualified commercial loans outstanding demonstrating our significant experience lending to small business concerns.

Lender Officer (Print Name) _____
 Signature of Lender Officer _____ Title _____ Date _____

U.S. SMALL BUSINESS ADMINISTRATION
INSTRUCTIONS FOR APPLICANT ON HOW TO COMPLETE THE SBALowDOC APPLICATION

The following directions provide assistance in completing the SBALowDoc application. Each numbered section in this guide corresponds to the same number on the SBALowDoc application. Please type or print legibly. **SBALowDoc uses a credit scoring system, thus ALL application entries must be completed or use "N/A" if blank does not apply.** If necessary, use separate sheets of paper for additional answers to each section.

SECTION A: APPLICANT

1. Business Name - Legal name of the entity applying for SBALowDoc loan.
2. Trade Name - The operating name, if different from business name.
3. Type - Legal organizational structure of the business.
4. Address - Street address of business.
5. City, State, County, Zip - City, state, county and zip of the business.
6. Mailing Address (if different from street address).
7. Phone - Telephone number, including area code of the business.
8. IRS Tax ID # - The business employer I.D. number assigned by the IRS, or the owner's social security number. Please do not use "Pending" on this line.
9. Business Bank - Financial Institution business is currently using for checking and/or loans.
10. Checking Balance - Current amount business has in checking account.
11. Nature of Business - Examples dairy farm, manufacture tires, wholesale shoes, retail toys, lawyer, etc.
12. Date Business Established - The original date the business was started.
13. Date Current Ownership Established - The date of **the most recent change** in ownership. This includes the date that the current owners acquired or purchased this business or the date of any change in the percentages of ownership of the current owners.
14. # of employees - Number of full and part-time employees on payroll for each pay period for the last 12 months averaged by the number of pay periods.
15. # of affiliate(s) employees - Please note that affiliates are defined as businesses that have common ownership, common management, or contractual relationships that give one control over the other. Calculate same as #14.
16. After the Loan - Anticipated number of employees the business will employ within two years from the date of the loan.
17. Exporter - Mark appropriate box if business exports any product or service.
18. Pre-Qual - Mark appropriate box if Pre-Qualification service used.
19. Franchise - Mark appropriate box if business is a franchise.
20. Franchise name - If business is a franchise.

SECTION B: LOAN REQUEST (Total all SBA debt, including this application, and excluding disaster loans, cannot exceed \$150,000)

1. Amount - Total amount of loan requested by borrower.
2. Maturity - Number of months or years until loan is to be repaid.
3. Purpose - Briefly explain how the loan will be used.
4. Have you employed anyone to prepare this application? - Check appropriate box, amount paid, name of packager, Social Security number or Tax I.D. number of packager.

SECTION C: INDEBTEDNESS - Please provide the requested information on all business debts. NO personal debts should be listed in these blocks unless said debts were used for business purposes. Add an additional sheet if necessary. Provide the number of scheduled payments in a 12-month period or other terms, if appropriate, to report "Pmt. Frequency".

SECTION D: PRINCIPALS Complete this section for each principal. Section D can be photocopied for this purpose. **Account for 100 percent of ownership. Principal includes:** 1) the owner of a sole proprietorship; 2) each partner of a partnership; 3) each officer, director, and holder of voting stock of a corporation or a limited liability company; 4) any other person, including a hired manager, who has authority to speak for and commit the borrower in the management of the business. Non-owner officers and directors and officers owning less than 20 percent complete only parts 1,4, and 5.

Please Note: The estimated burden for completing this form is 7.50 hours per response. You will not be required to respond to collection of information unless it displays a currently valid OMB approval number. Comments on the burden should be sent to the U.S. Small Business Administration, Chief, AIB, 409 3rd Street, S.W., Washington, D.C. 20416 and Desk Office for Small Business Administration, Office of Management and Budget, New Executive Office Building, Room 10202, Washington, D.C. 20503. **OMB Approval (3245-0016).**

D-1

1. Name - Full legal name.
2. Phone - Home telephone number including the area code.
3. Social Security Number - nine digit numeric.
4. Title - Position held in the business (i.e., President, Partner, etc.).
5. Address - Street, city, state, county, and zip of home address.
6. Date of Birth - Month, day, year.
7. Place of Birth - Where borrower was born, by city and state (or city and Foreign Country).
8. U.S. Citizen? - Check the proper box.
9. If No, Alien reg #. - If borrower is not a citizen, SBA must have the borrower's registration number.

D-2

1. % Owned – The percentage ownership of each owner. (The total of all must equal 100 Percent).
2. Please check appropriate boxes in this section.

D-3 Personal Financial Statement

1. Liquid Assets - Include liquid assets such as checking, savings, money markets, certificate of deposits, bonds, stocks (publicly traded), cash value of life insurance, and marketable securities. **Do not** include individual retirement accounts, and similar assets.
2. Ownership in Business - Value of ownership in the applicant business.
3. Real Estate - Market value of all real estate owned.
4. Assets Other - Any assets not otherwise listed.
5. Total Assets - Total value of all assets in numbers 1, 2, 3 and 4 of this section, D-3.
6. Liabilities Real Estate - Total of all debt/mortgages on real estate owned.
7. Other Liabilities - Total of all debt excluding real estate debt.
8. Total Liabilities - Total of all liabilities in numbers 6 and 7 of this section, D-3.
9. Net Worth - Difference between total assets, number 5, and total liabilities, number 8.
10. Annual Salary - From the applicant business.
11. Other Sources of Repayment - A Lender or SBA may rely upon a source of cash flow other than from operations of the small business borrower for repayment. That source must be available to the principal(s) on a consistent basis in an amount that sufficiently exceeds the individual's personal needs to permit orderly repayment of the loan over a reasonable period of time.
12. Source - Of other Source of Repayment in number 11.
13. Residence Rent/Own/Other - Indicate if current residence is owned, rented, or other (example, live with relatives).
14. Monthly Housing - Monthly mortgage or rent payment of residence.

D-4 - Past or present SBA or Other Government Financing-

1. Please complete for all principals. Financial Institution, Agency, Loan No., Date, Amount, Balance, and Status. (Outstanding, applied for, paid in full, and any other status.)

D-5 -Eligibility and Disclosures (IMPORTANT, only one signature is allowed in this section. USE SEPARATE SHEET FOR EACH PRINCIPAL)

Mark appropriate boxes, sign and date.

U.S. SMALL BUSINESS ADMINISTRATION
INSTRUCTIONS FOR LENDER ON HOW TO COMPLETE THE SBALOWDOC APPLICATION

The following directions provide assistance in completing the SBALowDoc application. Each section corresponds to the same section on the LowDoc application. If a particular section or entry is not specified in this guide, special directions are required to complete that entry. You may find it helpful to refer to the LowDoc Program Guide if there are no credit policy questions. If necessary, use separate sheets of paper for additional answers to each section. **ALL BLANKS MUST BE COMPLETED - USE N/A IF "Blank" DOES NOT APPLY.**

SECTION F: LENDER - If you do not have the date of the latest 750 agreement, please call your SBA District/Branch Office and they will provide you with this information. The appropriate SBA District/Branch Office is based on location of business.

1. Name of Lender - Financial Institution.
2. Business Name - Applicant.
3. Applicant NAICS Code - As listed in then North American Industrial Classification System (NAICS).
4. Lender's Address - Address of Financial Institution ****IMPORTANT**** Must be street address, all loans documents are shipped FEDEX. FEDEX will not deliver to a Post Office Box.
5. Telephone - Lender's Telephone Number, including area code.
6. Fax - Lender's Fax Number, including area code.
7. 750 Date - Date of SBA Guaranty Agreement.

SECTION G: LOAN TERMS - Please complete this section as completely and accurately as possible. The Authorization for Loan Guarantee will usually be based on the terms and conditions provided, but SBA reserves the right to amend them. Any changes will be discussed prior to approval by SBA. Accuracy and completeness will expedite loan closings.

1. SBA Guarantee % - Percentage of SBA Guarantee, maximum 85 percent.
2. Loan Amount - Amount Lender has approved.
3. No. of Months to maturity - Loan maturity in months including interest only payments.
4. Payments- Mark the appropriate box if payments are principal and interest or principal plus accrued interest; enter payment. If you are asking for payments other than monthly, please indicate.
5. No. of Months Interest Only - Only if repayment terms have an interest only period.
6. Initial Interest Rate - Interest rate of the loan at closing and whether it will be fixed or variable.
7. Spread - If interest rate is variable, indicate the spread over the Wall Street Journal Prime Rate. If the adjustment period is other than monthly or quarterly, please check "Other" and indicate the frequency.
8. Life Insurance - Are you requiring principal to obtain and in what amount?
9. Standby Agreement - Who will be executing the standby and in what amount?
10. If Start-Up or Purchase of Existing Amount - Indicate nature of the source by entering the amount of the injection by the appropriate category. "Cash" is money reported on a personal financial statement. "Assets" are those assets reported on a personal financial statement. "Stand-by Debt" is any obligation which will be placed on stand-by. "Other" includes gifts, inheritances and other sources not already mentioned.

Use of Proceeds

Amount and Purpose - "Fixed Assets" includes all fixed assets financed other than real estate, such as vehicles, equipment, furniture and fixtures. "Impact Current Assets/Liability" is amount for inventory and working capital. If "Debt Payment applies, enter name and amount in space provided on application. Refinancing of participant bank debt is limited to 25 percent of loan request. "Other" include the balance of assets financed that are not specified elsewhere, such as working capital, goodwill, leasehold improvements. If the purpose of loan is to purchase a business in entirety, use "purchase of business." If only assets of business are being purchased use of proceeds should be itemized by asset category. .

Collateral

1. Type - Enter the code for type of collateral securing loan: RE-real estate, FF-furniture & fixtures, EQP-equipment; or INV-inventory, etc.
2. Description - Briefly describe collateral (e.g., location of real estate, type of equipment, or description of inventory).
3. Market Value - Should be the lender's assessment of the current market value of collateral. (Please note that market value should be based on prudent lending standards and values should be supported by appropriate documentation.)
4. Existing Lien(s) - If collateral is has existing lien(s), enter the lienholder name and balance outstanding on each. (Please note: enter original amount if real estate mortgage/deed of trust is open-ended.)
5. Collateral Value - Should be the lender's assessment of the collateral's liquidation value net of existing lien(s).

SECTION H: FINANCIAL STATEMENTS

Balance Sheet - this section is a summary of the business' balance sheet. If the businesses is a start-up, enter a pro forma balance sheet, after application of loan proceeds. (Use **Pro Forma only if startup**).

1. As of _____ - Date of the most recent fiscal year statements if within the last three months, or the date of the most recent interim statements if not more than 90 days old at the time SGA receives the application if previous fiscal year statements are over tree months old (Note: the date of the Balance Sheet should correspond with the date of the Current Period in the Income Statement section and the date of personal financial statements).
2. Total Current Assets - Should equal the total of Cash Equivalent, Net Trade Receivable, Inventory, and Other Current Assets. Net Trade Receivables means after deduction of receivables which are unlikely to be collected.
3. Total Assets - Must equal the total of Total Current Assets, Net Fixed Assets, and Other Assets.
4. Total Current Liabilities - Should equal the total of Notes, Trade Payables, Current Portion of Long-Term Debt (Current LTD), and Other Current Liabilities.
5. Total Liabilities - Should equal the total of Total Current Liabilities, Long Term Debt, and Other Liabilities.
6. Tangible Net Worth - Net worth after deducting all intangible assets.

Income Statement - This section is a summary of the business' previous, current and projected cash flow statement. If business is a start-up, enter two years of pro forma data in the "Current" and "Projected" columns.

7. Prior FY - For period of last full fiscal year.
8. Current - Must be for the same period as the Balance Sheet Statement.
9. Projected - Over the next 12 months.
10. Rent (if applicable) - Discontinued rent due to purchase of asset(s) with loan proceeds.
11. Cash Flow - Must equal to the total of the Rent (if this expense is being eliminated), Depreciation/Amortization, Annual Interest Expense on Long Term Debt, and Net Income. (In comments, address whether the depreciation is really available for debt service on the basis of when the depreciable asset will need to be replaced.)
12. Term Debt P&I - For the Current period, enter the total of all term debt payments including principal and interest. For the projected period, enter the total of all term debt payments for the 12-month period, include the new *SBALowDoc* loan.

SECTION I: LENDER COMMENTS - Lender's analysis of applicant's character, management abilities, financial condition of business, and repayment ability. Also any other comments you feel necessary including whether projections are realistic. Business start-ups and purchases must discuss the amount and nature of the injection of the principal(s) into the business. Lender's comments must also address whether the projections are reasonable and attainable on the basis of the applicant's capacity.

SECTION J: ELIGIBILITY - Use the *SBALowDoc* Eligibility Checklist to assist in making and documenting the determination of the applicant's eligibility. Please keep justification for this determination in applicant's file.

PLEASE READ DETACH AND RETAIN FOR YOUR RECORDS

STATEMENTS REQUIRED BY LAW AND EXECUTIVE ORDER

Federal executive agencies, including the Small Business Administration (SBA), are required to withhold or limit financial assistance, to impose special conditions on approved loans, to provide special notices to applicants or borrowers and to require special reports and data from borrowers in order to comply with legislation passed by the Congress and Executive Orders issued by the President and by the provisions of various inter-agency agreements. SBA has issued regulations and procedures that implement these laws and executive orders, and they are contained in Parts 112, 113, 116, and 117, Title 13, Code of Federal Regulations Chapter 1, or Standard Operating Procedures.

Freedom of Information Act (5 U.S.C. 552)

This law provides, with some exceptions, that SBA must supply information reflected in agency files and records to a person requesting it. Information about approved loans that will be automatically released includes, among other things, statistics on our loan programs (individual borrowers are not identified in the statistics) and other information such as the names of the borrowers (and their officers, directors, stockholders or partners), the collateral pledged to secure the loan, the amount of the loan, its purpose in general terms and the maturity. Proprietary data on a borrower would not routinely be made available to third parties. All requests under this Act are to be addressed to the nearest SBA office and be identified as a Freedom of Information request.

Privacy Act (5 U.S.C. 552a)

Any person can request to see or get copies of any personal information that SBA has in his or her file, when that file is retrievable by individual identifiers, such as name or social security numbers. Requests for information about another party may be denied unless SBA has the written permission of the individual to release the information to the requestor or unless the information is subject to disclosure under the Freedom of Information Act.

Under the provisions of the Privacy Act, you are not required to provide your social security number. Failure to provide your social security number may not affect any right, benefit or privilege to which you are entitled. Disclosures of name and other personal identifiers are, however, required for a benefit, as SBA requires an individual seeking assistance from SBA to provide it with sufficient information for it to make a character determination. In determining whether an individual is of good character, SBA considers the person's integrity, candor, and disposition toward criminal actions. In making loans pursuant to section 7(a)(6) the Small Business Act (the Act), 15 USC §636 (a)(6), SBA is required to have reasonable assurance that the loan is of sound value and will be repaid or that it is in the best interest of the Government to grant the assistance requested. Additionally, SBA is specifically authorized to verify your criminal history, or lack thereof, pursuant to section 7(a)(1)(B), 15 USC §636(a)(1)(B). Further, for all forms of assistance, SBA is authorized to make all investigations necessary to ensure that a person has not engaged in acts that violate or will violate the Act or the Small Business Investment Act, 15 USC §§634(b)(11) and 687b(a). For these purposes, you are asked to voluntarily provide your social security number to assist SBA is making a character determination and to distinguish you from other individuals with the same or similar name or other personal identifier.

When this information indicates a violation or potential violation of law, whether civil, criminal, or administrative in nature, SBA may refer it to the appropriate agency, whether Federal, State, local, or foreign, charged with responsibility for or otherwise involved in investigation, prosecution, enforcement or prevention of such violations. See 56 Fed. Reg. 8020 (1991) for other published routine uses.

Right to Financial Privacy Act of 1978 (12 U.S.C. 3401)

This is notice to you as required by the Right of Financial Privacy Act of 1978, of SBA's access rights to financial records held by financial institutions that are or have been doing business with you or your business, including any financial institutions participating in a loan or loan guarantee. The law provides that SBA shall have a right of access to your financial records in connection with its consideration or administration of assistance to you in the form of a Government loan or loan guaranty agreement. SBA is required to provide a certificate of its compliance with the Act to a financial institution in connection with its first request for access to your financial records, after which no further certification is required for subsequent accesses. The law also provides that SBA's access rights continue for the term of any approved loan or loan guaranty agreement. No further notice to you of SBA's access rights is required during the term of any such agreement.

The law also authorizes SBA to transfer to another Government authority any financial records included in an application for a loan, or concerning an approved loan or loan guarantee, as necessary to process, service or foreclose on a loan or loan guarantee or to collect on a defaulted loan or loan guarantee. No other transfer of your financial records to another Government authority will be permitted by SBA except as required or permitted by law.

Flood Disaster Protection Act (42 U.S.C. 4011)

Regulations have been issued by the Federal Insurance Administration (FIA) and by SBA implementing this Act and its amendments. These regulations prohibit SBA from making certain loans in an FIA designated floodplain unless Federal flood insurance is purchased as a condition of the loan. Failure to maintain the required level of flood insurance makes the applicant ineligible for any future financial assistance from SBA under any program, including disaster assistance.

Executive Orders -- Floodplain Management and Wetland Protection (42 F.R. 26951 and 42 F.R. 26961)

The SBA discourages any settlement in or development of a floodplain or a wetland. This statement is to notify all SBA loan applicants that such actions are hazardous to both life and property and should be avoided. The additional cost of flood preventive construction must be considered in addition to the possible loss of all assets and investments in future floods.

Occupational Safety and Health Act (15 U.S.C. 651 et seq.)

This legislation authorizes the Occupational Safety and Health Administration in the Department of Labor to require businesses to modify facilities and procedures to protect employees or pay penalty fees. In some instances the business can be forced to cease operations or be prevented from starting operations in a new facility. Therefore, in some instances SBA may require additional information from an applicant to determine whether the business will be in compliance with OSHA regulations and allowed to operate its facility after the loan is approved and disbursed. Signing this form as borrower is a certification that the OSA requirements that apply to the borrower's business have been determined and the borrower to the best of its knowledge is in compliance.

Civil Rights Legislation

All businesses receiving SBA financial assistance must agree not to discriminate in any business practice, including employment practices and services to the public, on the basis of categories cited in 13 C.F.R., Parts 112, 113, and 117 of SBA Regulations. This includes making their goods and services available to handicapped clients or customers. All business borrowers will be required to display the "Equal Employment Opportunity Poster" prescribed by SBA.

Equal Credit Opportunity Act (15 U.S.C. 1691)

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status or age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Executive Order 11738 -- Environmental Protection (38 F.R. 25161)

The Executive Order charges SBA with administering its loan programs in a manner that will result in effective enforcement of the Clean Air Act, the Federal Water Pollution Act and other environmental protection legislation. SBA must, therefore, impose conditions on some loans. By acknowledging receipt of this form and presenting the application, the principals of all small businesses borrowing \$100,000 or more in direct funds stipulate to the following:

1. That any facility used, or to be used, by the subject firm is not cited on the EPA list of Violating Facilities.
2. That subject firm will comply with all the requirements of Section 114 of the Clean Air Act (42 U.S.C. 7414) and Section 308 of the Water Act (33 U.S.C. 1318) relating to inspection, monitoring, entry, reports and information, as well as all other requirements specified in Section 114 and Section 308 of the respective Acts, and all regulations and guidelines issued thereunder.
3. That subject firm will notify SBA of the receipt of any communication from the Director of the Environmental Protection Agency indicating that a facility utilized, or to be utilized, by subject firm is under consideration to be listed on the EPA List of Violating Facilities.

Debt Collection Act of 1982 Deficit Reduction Act of 1984 (31 U.S.C. 3701 et seq. and other titles)

These laws require SBA to aggressively collect any loan payments which become delinquent. SBA must obtain your taxpayer identification number when you apply for a loan. If you receive a loan, and do not make payments as they come due, SBA may take one or more of the following actions:

- Report the status of your loan(s) to credit bureaus
- Hire a collection agency to collect your loan
- Offset your income tax refund or other amounts due to you from the Federal Government
- Suspend or debar you or your company from doing business with the Federal Government
- Refer your loan to the Department of Justice or other attorneys for litigation
- Foreclose on collateral or take other action permitted in the loan instruments.

Immigration Reform and Control Act of 1986 (Pub. L. 99-603)

If you are an alien who was in this country illegally since before January 1, 1982, you may have been granted lawful temporary resident status by the United States Immigration and Naturalization Service pursuant to the Immigration Reform and Control Act of 1986 (Pub. L. 99-603). For five years from the date you are granted such status, you are not eligible for financial assistance from the SBA in the form of a loan or guaranty under section 7(a) of the Small Business Act unless you are disabled or a Cuban or Haitian entrant. When you sign this document, you are making the certification that the Immigration Reform and Control Act of 1986 does not apply to you, or if it does apply, more than five years have elapsed since you have been granted lawful temporary resident status pursuant to such 1986 legislation.

Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.)

Borrowers using SBA funds for the construction or rehabilitation of a residential structure are prohibited from using lead-based paint (as defined in SBA regulations) on all interior surfaces, whether accessible or not, and exterior surfaces, such as stairs, decks, porches, railings, windows and doors, which are readily accessible to children under 7 years of age. A "residential structure" is any home, apartment, hotel, motel, orphanage, boarding school, dormitory, day care center, extended care facility, college or other school housing, hospital, group practice or community facility and all other residential or institutional structures where persons reside.